



THE CITY OF AUGUSTA

WILLIAM R. BRIDGEO, CITY MANAGER

March 31, 2016

To: Mayor Rollins and Members of the Augusta City Council
Fr: City Manager Bill Bridgeo
Re: Proposed Budget for Fiscal Year 2016-2017

Herewith, I present to you my recommended Budget for the City of Augusta for the fiscal year beginning July 1st, 2016. This budget, prepared with the able assistance of a seasoned administrative team, seeks to preserve a stable level of municipal services while ever mindful of the burden that property taxes created on local residents and businesses, particularly in a state so heavily reliant on the property tax for the funding of essential governmental services. As proposed, the budget projects an increase in overall spending (municipal services, schools and county tax) of 5.9% from \$54,895,244 to \$58,137,436 – an increase of \$3,242,192. Most of that spending increase is offset by non-property tax revenue increases totaling \$2,619,940, leaving \$622,252 to be raised in new property taxes. If adopted as proposed, that would mean increasing the property tax levy from \$28,887,565 this year to \$29,509,817 next year. Simple math would suggest that would require a tax rate increase of 2.15%. However due to an almost \$30 million drop in the projected total assessed value of taxable property - the first decrease in assessed valuation in my eighteen years here –attributable primarily to a 50% increase in the amount of the statutory Homestead Exemption from \$10,000 per primary residence to \$15,000, the effect is to increase the proposed tax rate from 19.40% to 20.22% (4.24%). I discuss this in more detail below.

Although proposed School Department funding is up from \$28,445,419 to \$30,257,600 (\$1,812,181 or 6.4%), the Board proposes to utilize approximately \$3.23 million of their \$5.5 million fund balance to offset that proposed expenditure increase and is requesting a slight increase (\$34,972) in the level of appropriation from property taxes for next year over this year. As you know, prior to their final decision, the School Department administration and Board were contemplating a request that represented a reduction in property tax support of \$268,068. I had advised the Superintendent (who then so advised the Board) that I thought that would be the best course of action. There's no question that in either scenario it is likely that a funding cliff for the education budget will materialize. Given the uncertainties associated with state funding (particularly EPS), some unpredictability with how the Department will end this fiscal year, and the need, I believe, to avoid a tax rate increase in the 4+% range, I think that it would be more prudent to go with a lower School Department appropriation from taxes and

address any possible shortfalls in another year. This will obviously be an important part of the discussions between Council and the Board in the weeks to come.

Proposed spending on the municipal side increases from \$24,991,716 to \$26,393,318 or \$1,401,602 (5.6%). The primary drivers (also discussed in detail below) include \$873,400 in new debt service – all of which is paid for through tax increment financing (TIF) proceeds and does not impact property taxes – and about \$640,000 in increased costs of wages and benefits attributable to contractual obligations calling for a 2.5% increase in union wage levels, two new part-time library positions (anticipated since the voters approved the renovation and expansion of the Lithgow Library) and a new part-time code enforcement officer slot). Offsetting these two spending increases are about \$200,000 in reductions spread throughout the General Government accounts.

In the coming fiscal year, we will see the opening of the new library facility, the new North Augusta fire station (housing the new \$1 million pumper/ladder truck), \$400,000 in energy efficiency upgrades, and approximately \$5 million in TIF-funded street and sidewalk improvements.

General Government Revenues

The largest source of revenue for the City/School Department budget is the property tax. It is the only significant revenue source that Council has control over and, absent spending cuts, the only resource available to Council when other revenue sources decline. In most years, we can anticipate some growth in the property tax base that will help absorb routine cost increases in the budget. As stated above, however, this year due to a change in state law, the Homestead Exemption on primary residences increases from \$10,000 to \$15,000. The aggregate effect of that \$5,000 loss in taxable valuation spread over every residential property in the City is \$18,580,000. That effectively translates into about \$360,000 less in realized property taxes next year (half of which the state must reimburse due to a provision in the state constitution).

The effect of the increase in the Homestead Exemption is complicated, at least when trying to explain it in terms of a net percentage increase in a resident's new tax bill. Because typically an increase in the overall tax rate is necessary to raise the same amount of dollars year-to-year when there is a decrease in the community's valuation, the percentage benefit of the increased Homestead Exemption will vary. If the mil rate were to stay the same as this year (\$19.40 per thousand), every residential property tax payer would see, because of the revised exemptions, a decrease in their tax bill of \$97.00. The higher the value of the property, the lower percentage the reduction would represent. Using our proposed mil rate of \$20.22 per thousand (4.24%), a homeowner with a property valued at \$116,000 will see a tax bill reduction of \$13.88 (\$2,056.47 down to \$2,042.59) or 0.67%. Someone whose home is valued at \$133,000 would

see their tax bill remain the same (\$2,386.28 vs. \$2,386.40); and someone whose home is valued at \$250,000 would see their tax bill increase \$96.41 (from \$4,656.16 to \$4,752.57) or 2.07%. All other classifications of property (businesses, land, camps and vacation homes) would see their tax bill go up the full 4.24 %. To add to the confusion, for fiscal year 2017-2018 the exemption increases again from \$15,000 to \$20,000. *Nonetheless, the average residence in the City (\$116,000) will see its tax bill **decrease** by \$13.87 if the budget is adopted as proposed.*

[Appendix "C" to this message is a concise one page numerical summary of all of the factors that go into calculating the proposed tax rate and probably the most valuable point of reference in trying to grasp all of the elements that make up the budget calculations.]

For the coming year, General Government revenues are estimated to increase by \$842,731 (8%) from \$10,597,848 to 11,440,579. This is a net number as we anticipate increases in some categories and decreases in others.

After property taxes, the City's largest non-education related revenue source is vehicle excise tax. For the coming year, we project a 5.3% decrease in that revenue source from \$3,042,710 to \$2,880,313 or \$162,397. The reason for this has to do with legislation passed last year that changes where utility companies register and excise their vehicles. As a consequence of that new law, Central Maine Power will now register the bulk of their vehicles in other communities and we will see a projected loss of \$225,000 from them. Other routine increases in excise taxes offset some of that loss.

The second largest non-property tax revenue is – for the first time this year – transfers from our various tax increment financing accounts into the General Fund to pay for various capital improvements, Utility District storm water charges, and economic development activities. That revenue line increases by \$754,237 (59%) from \$1,283,745 to \$2,037,982. The new money will pay the principle and interest on the bonds issued this year for the new fire station, new Quint pumper ladder truck and street improvements as identified further on in this document. It's worth reminding the reader that all of these investments are important priorities for the City and, absent the benefit provided by the State's TIF laws, would require an additional \$2 million in property taxes to be raised each year.

Much, if not most, of the activity carried out by the Augusta Fire Department is related to calls for ambulance and rescue services. The revenue attributable to that service is substantial and is projected to increase next year by \$84,065 (5.5%) from \$1,517,610 to \$1,601,675.

State revenue sharing (at one time a robust revenue source calculated at 5.1% of all state revenues and distributed by a formula that saw Augusta receiving 2% of the proceeds or about \$3.7 million) is projected to be within \$5,000 of this year's amount or \$1,063,543. Absent a

change in philosophy across the river, I don't hold out much hope that there will be a restoration of revenue sharing to its earlier amounts anytime soon.

As discussed above, the Maine Constitution requires that when the State passes a law that has an adverse effect on municipal finances the state must fund half of the cost impact of that legislation. Such is the case with the new Homestead Exemption increase from \$10,000 to \$15,000. The new exemption sees us losing about \$360,000 in tax revenues so we will see a 50% reimbursement of that (\$180,000) from the State which will increase this line item next year from \$376,647 to \$547,517.

Other notable changes in revenue accounts projected for the coming year include (on the plus side) \$74,832 in General Assistance reimbursement due to a formula change adopted by the Legislature from 50% to 70%; an increase of \$46,778 in Payments in Lieu of Taxes (PILOTS) which are voluntary contributions made by tax-exempt entities – in this case John Marvin Towers and Chateau Cushnoc are added to the list as a result of a settlement on their taxable status; an increase of \$31,209 in Business Equipment Tax Reimbursement attributable to \$1,632,330 in new business investment in the City; and \$30,000 in rebates from the company we use to provide us with procurement cards for our credit card purchases (which we now encourage due to the rebate program).

Notable revenue account changes with a negative effect for the coming year include a loss of \$70,000 from payment from the Augusta Parking District which has been a voluntary contribution from them since we built the Dickman Street parking facility in 2006 but which in recent years their finances have been unable to support; a loss of \$40,269 in City rents primarily at the Buker Community Center when the State Department of Defense moved out; \$14,302 in reduced Greater Augusta Utility District payments to us as they are no longer using our HR Director for human resource assistance (although they still contract with us for routine payroll and benefit administration services); \$8,064 less in State highway reimbursement; and a reduction of \$8,950 in parks and cemeteries reimbursements.

The eighty or so other more minor revenue accounts are anticipated to remain relatively stable for the coming year.

The one significant budget revenue source that serves as a cushion against potentially larger property tax increases is the General Fund's Unassigned Fund Balance. By City Charter, this reserve must be maintained at no less than 5% of the City's gross budget total. The Charter also stipulates that the desired fund balance target should be 8.3% of that total. The Fund Balance is the City's vital reserve account. It exists to maintain stability in the City's finances and protect us during times of unforeseen emergency needs. It is an essential element of our credit rating. Three weeks ago, as part of the process of selling bonds for the North Augusta fire station, the

new firetruck and various TIF-funded street reconstruction projects, the rating agency Standard and Poors in reaffirming the City's strong "AA" bond rating (with "positive outlook") cited the following regarding the City's financial condition and budgetary practices:

- *Strong management conditions, with "good" financial management practices under their Financial Management Assessment (FMA) methodology.*
- *Very strong budgetary flexibility with fiscal 2015 audited available reserves in excess of 20% of expenditures.*
- *Very strong liquidity, providing very strong cash to cover debt service and expenditures.*
- *Strong budgetary performance and consistently balanced operations; and*
- *Strong debt and contingent liability profile, bolstered by low debt-to-market value ratios and aggressive amortization.*
- *Strong institutional framework (due to the presence of the State of Maine, MaineGeneral Health, the university of Maine and County Government)*
- *Increased market values (rising 6% in the last three years)*

Such an impressive external assessment of the City's financial condition and budget and management practices is of course the result of many years of proper Council fiscal policies and committed performance on the part of the City's professional staff. It reaffirms the importance of maintaining proper reserves, ongoing investment in capital assets like streets, buildings and fleets, and a temperate balance between property tax levies and the ongoing provision of key municipal services like education, public safety, public works and quality of life operations.

The City's audited financial statements for June 30, 2015 showed the unassigned fund balance to be \$5,224,110. Applying the 8.3% rule to the FY '16-'17 proposed budget total of \$58,137,436 suggests a Fund Balance minimum of \$4,842,848. At this writing, it appears we will finish the year about \$785,000 to the good – revenues and expenses combined. I am proposing an appropriation from the unassigned fund balance at the same level as this year - \$1,156,683. This would result in an unassigned fund balance of \$4,852,417 on June 30, 2016.

General Fund Expenditures

For FY 2016-2017, the General Fund expenditures are proposed to increase from \$24,991,716 to \$26,393,268. That is an increase of \$1,401,602 or 5.61%. As a service organization, the majority of our expenditures are associated with the costs of wages and benefits for our workforce. In this year's budget, that totaled \$15,108,292. For next year, I am recommending that be increased by \$668,943 (4.4%) to \$15,777,235. Within that amount, there is provision for a 2.5% cost-of-living increase per our collective bargaining agreements (which cover 80% of our workforce in the second year of three year contracts) and salary/wage step increases which are

also contractually driven. That, plus the cost of one new full-time custodial and two part-time positions at the library and one half-time position in Code Enforcement, equates to \$320,159 of the \$650,124 number. The employer portion of health insurance premiums are expected to increase \$237,107 or 7.2% next year (the increases occur each January 1st and that is factored into our estimates) and will total \$3,519,788. Citywide other fringe benefit costs (primarily Maine State Retirement System mandatory contributions) increase \$57,332 and overtime goes up \$21,101.

Citywide, our contractual services increase 1.59% (\$87,478) from \$5,489,753 to \$5,577,231. The items of note in this category include an increase of \$30,749 in repairs and maintenance of equipment, an increase of \$30,000 in the cost of electricity, rental of equipment (up \$26,950 for an additional hired truck for snow operations) and other contracted services up \$18,188.

The purchase of supplies citywide is projected to increase from \$1,313,045 to \$1,333,753 (\$20,708) or 1.6%. In that amount are some standard increases in the cost of commodities, some reductions in the costs of heating fuel (though there is a \$7,000 increase in the cost of natural gas from \$83K to \$90k); and a reduction in General Assistance purchases of food (\$8,000).

Fixed charges citywide go down \$49,854 or about 7% from \$716,921 to \$667,067. The notable adjustment in this cost center is a reduction of \$46,952 in equipment leases (from \$198,932 to \$151,980) because an ambulance lease was paid off, a modest decrease in the cost of property and casualty insurance (\$6,930).

The budget provides for a modest amount of capital outlay citywide (\$177,475 up \$23,600 or 15% from this year). That includes computer hardware replacement of \$34,400, public safety equipment of \$39,250 and three police cruisers at \$78,800.

The citywide appropriation for principle and interest on debt (debt service) increases from \$1,984,830 to \$2,860,557 (44.1%) or \$875,727. As referenced earlier, the new debt service is associated with the TIF funded fire station and fire truck and street improvements. Also as noted in the Standard and Poor's rating report: our level of bonded indebtedness is low for our peer communities and at a healthy level including the increase.

County tax, a state mandated obligation over which the City has no control, is estimated to go up 3.24% (\$47,228) next year from \$1,458,109 to \$1,505,337. It is calculated on the assessed value of our community relative to the assessed value of the other thirty-six communities in the county. We typically represent about 16% of the county's levy.

Worth noting is a reduction in this year's cash CIP appropriation of \$225,000 that was budgeted last year and came from the proceeds of the refinancing of the City's pension obligation bonds.

Not needing to continue that expenditure has reduced the pressure on the tax levy for this year. The other positive impact of the refinancing has been the elimination of the "step up" in debt service costs each year (to the tune of \$80,000 every year) because of how the bonds payments were previously structured.

Departmental Expenditures

In the Legislative/Executive Department, expenditures increase by \$13,275 (2.4%) to \$566,504. The amount appropriated for Mayor and Council remains at \$829,639. The City Manager account is up \$8,043 (3.7%) to \$223,905 due to contractual wage increases for the Executive Assistant and me. The Corporation Counsel line item remains flat at \$128,004. The Unclassified account increases by \$15,168 (10.9%) to \$154,956. Most of this increase is the result of eliminating another bureau (Central Services) from this department for \$12,786. Unclassified also includes our City audit (\$51,000), City-wide fiber network systems \$27,000, dues to the Maine Municipal Association and Service Center and Mayors' Coalitions (\$26,450) and the subsidy to the KVCAP bus transportation program (\$20,000) and Kennebec River Rail Trail (\$5,250). The Council and Manager Contingency remain constant at \$20,000 and \$10,000 respectively.

The Finance and Administration Department is recommended to increase by \$74,607 (4.3%) to \$1,793,367. Finance Administration (Ralph St. Pierre and a part-time floating clerical position) increases \$4,046 (2.7%) to \$156,657 due to wage and benefit costs. The City Clerk, Treasury, and Tax Collection bureau increases by \$20,611 (4%) to \$534,047 of which \$25,080 is wages and benefits. Voter Registration and Elections increases by \$5,692 (13.4%) to \$42,585 due to the upcoming presidential election. The office of the Deputy Finance Director (City Auditor) is up by \$5,641 (3.3%) to \$178,475 due to wage and benefit increases of \$6,101. Information Systems, our IT bureau, increases by \$27,506 (6.8 %) to \$432,288. Wages and benefits are up \$11,206. Maintenance of IT equipment is up \$3,590 (2.9%) due to vendor inflation. Computer hardware is up \$12,000 to upgrade fifteen high-speed switches. The Assessor's Office increases by \$10,523 (6.3%) to \$177,056, mostly attributable to wage and benefit increases (one employee added additional dependent coverage). The Human Resources bureau increases by \$588 (essentially flat) to \$272,259 due to turnover in the Director's position.

The Department of Development Services budget is recommended to increase noticeably due largely to proposed new custodial staffing associated with the expanded library, increased utility costs for the library, and a new 24 hour/week code enforcement position. The Economic Development bureau (which is fully funded by Tax Increment Financing revenues) increases by \$8,564 (3.4%) to \$260,914. That increase is solely attributable to wage and benefit adjustments. In the coming fiscal year, Bureau staff will be focused on the recently adopted Council goals and actions including support of the new Economic and Workforce Development Committee,

historic certified local government status, AARP age-friendly status, the redevelopment of the Colonial Theater and the Creative Coalition – in addition to ongoing initiatives like the development of the Kennebec Lockes, Riggs Brook area, proposed state office complexes and other opportunities. New this year is the incorporation of the Development Services Administration's one clerical position (and associated costs) into the Planning bureau and the elimination of that budget cost center for a reduction of \$57,229. The net effect on the total departmental budget is a wash. The Planning bureau will now support 80% of the cost of the Department Director's position (the other 20% is in the Economic Development bureau), 100% of Assistant Planner position as well as Planning Board stipends and other Planning Board support costs, and the clerical support position that was previously in the eliminated administration cost center. Thus, the bureau is up \$71,508 (41.3%) to \$244,648, all attributable to the transfer of the support position and routine wage and benefit increases. The Historic Preservation Commission annually receives \$5,825 to support its activities. That amount is unchanged for next year. The Commission has accrued a balance over recent years of \$ 26,478 and I am proposing that the bulk of those funds be used to help underwrite the cost of an historic survey update of the properties in the proposed West Side neighborhood historic district should that be necessary. The Code Enforcement bureau is up \$38,563 (24.5%) to \$196,194 because of the addition of the new part-time enforcement position referenced above and the standard wage and benefit cost increases for existing staff. As I know you appreciate, the workload of this bureau is very demanding and we have known for several years that more attention should be paid to ensuring that those living in our aging rental housing stock are not subjected to unsafe or unsanitary conditions. I believe that this part-time position is a step in the right direction. I note, however, that if Council adopts new ordinances related to minimum housing maintenance standards and/or historic preservation standards it may well be necessary to add to staff resources of Code Enforcement. Furthermore, although I intend to propose a program of routine inspections of rental units in the City based on fees generated from those inspections, I intend to wait on that until later in the year. Since such a program can be self-sustaining, it does not need to be part of this budget proposal. I expect that such a proposal will generate significant public discussion best held on its own after the budget has been adopted. The City Engineer bureau funds two-thirds of that position (the rest comes from charges to capital improvement projects that he works on) and related support costs. It is up \$6,580 to \$89,923 (7.9%) due to wage and benefit adjustments, conference attendance for continuing education credits (necessary for licensing) and some replacement office equipment. The Facilities Maintenance bureau supports the costs of the director, utility and maintenance costs of all of our buildings, and all of the City's (6.75 FTE) custodial staff including a new full-time position at the library (bringing library custodial staffing to two based on the greatly expanded size of the new facility). The budget is up by \$56,511 to \$862,469 (7%). Personnel costs account for \$394,608 of the bureau budget; \$241,213 for contractual services including utilities

(\$38,000), traffic signal maintenance (\$63,440); \$82,221 for natural gas; and \$123,552 for leases associated with energy upgrades citywide. In the coming year, we expect to continue upgrading our energy conservation efforts focusing on about \$400,000 in lighting conversion (with \$105,959 of matching grant funding from Efficiency Maine, a program we have successfully accessed in recent years).

The Community Services Department is comprised of a number of bureaus that collectively add much to the unique character of Maine's capital city. For the coming year, a modest increase in funding of \$55,559 (2.3%) to \$2,459,345 is recommended. The Administration account funds the director and an administrative assistant position and related costs. It will be up \$5,324 (2.9%) to \$187,560 due to wage and benefit adjustments. The Lithgow Library bureau, as expected, will need a substantial increase in funding due to the expanded size of the new facility. When it reopens for business late this summer or early fall, I propose the addition of the equivalent of 1.5 positions – two new permanent part time (24 hours each) positions and additional hours to three other part-time aides. One of the new part-time 24 hour positions will be a teen librarian helping to oversee the new teen oriented section of the library. Thus, the proposed budget for the library for next year increases by \$75,330 (10%) to \$747,271 with \$60,000 of that in wages and benefit increases for both existing and new staff and about \$15,000 in additional costs in other line items consistent with the scaled up size of the new operation.

The proposed budget for the Recreation bureau decreases slightly (\$242 to \$166,301). Wages and benefits are up \$3,614 (for the Recreation Director and two staff members who oversee the Buker Community center among their other duties). That is offset by a \$2,500 reduction in the cost of photocopying, \$2,200 reduction in capital outlay, and a \$1,200 reduction in the cost of rental portable toilets (for which I dare not hazard a guess as to an explanation). The Parks and Cemeteries bureau requires an increase of \$45,186 (5.7%) to \$836,037 for the coming year. Wage and benefit adjustments come to \$37,315 which, in addition to standard escalators includes a correction of \$11,000 in the amount budgeted last year for the Director's salary. He is not receiving a raise of that magnitude. We're merely correcting a budgeting error from last year. The Old Fort Western bureau account just covers the wage and benefit costs of the director and a part-time assistant (and a small amount for building repair and maintenance). All of the other costs (interpreters, program materials, etc.) are supported by the Board of Trustees of the Fort and their fund-raising efforts and admission charges. The budget for the Fort is recommended to increase by \$5,223 (5.4%) to \$104,793, all of which can be attributable to standard compensation increases in wage and benefit costs. No changes are recommended in the budget for Bicentennial Nature Park for the coming year. The proposed amount goes down by \$231 to \$26,819 – the bulk of which is for the seasonal staff that oversee and maintain the popular facility.

The Health and Welfare bureau provides the staffing for administration of the state mandated General Assistance program as well as payments to GA recipients. Earlier this year, the Legislature changed the formula used to reimburse municipalities for provision of General Assistance aid to qualified individuals or families. In the past the reimbursement rate was 50% of qualified expenditures. That is now 70%. With continued careful oversight by our caseworkers (two full time and one half-time -- part of my Executive Assistant's salary is charged to G.A.), who are supervised by our Community Services Director Leif Dahlin, we expect the expenditures to drop by \$74,200 next year to \$230,000. (You will find a corresponding revenue line item equal to 70% of that \$230,000). The State does not reimburse municipalities for the cost of administering the GA program. Our costs there will be \$160,264, down slightly (\$931) from this year due to a change in health plan for one employee.

Almost 35% of the proposed total General Fund expenditures for the coming year are devoted to public safety (Police, Fire and EMS and Emergency Preparedness). The total expenditure for the coming year is recommended to increase by \$279,218 (3.2%) to \$9,084,403. Over 88% of that amount is for wages and benefits. Those wages and benefits are up \$262,239 of which \$140,260 is the contractual wage adjustment and the remainder is health insurance rate adjustment and mandatory retirement system employer share of contributions.

In the Police Department the proposed budget for the coming year is \$4,802,728 up \$166,997 (3.6%) from this year. Wages and benefits increase by \$152,211 due to contractual obligations and health insurance and retirement contributions and the last 25% of the additional funding initiated last year for two new detectives assigned to drug enforcement (we budgeted those positions to begin in October of last year not the full 12 months of the fiscal year). As we have discussed, the two additional detective positions have certainly had a favorable impact on the drug crisis in our community. The effective deployment of our Youth Resources Officer and our Community Resources Officer has also proved their worth. Again this year, I propose replacing three of our cruisers (with the cost expected to be up \$3,000 in total). This will be the third year we do so (as opposed to our historic practice of replacing four). There is more money budgeted for equipment repair and replacement (\$13,098) including photocopiers, wireless data systems, and annual software maintenance charges. I am happy to report that we are at full staff at the Department, with strong morale and excellent productivity.

In the Fire Department, the proposed budget increases by \$112,221 to \$4,281,675 or 2.7%. Wage and benefit costs – again almost completely contractual – go up \$110,028 (3.1%). Chief Audette is in the process of filling several vacancies caused by recent retirements and, pending your approval, we will be filing an application with the Feds for SAFER grant funding to continue to underwrite the cost of four firefighter/paramedic positions (which we have had the benefit of for the past two years). We are looking forward to construction of the new North Augusta

Fire Station (bids are due on April 1st) and delivery in December of the new Quint pumper ladder truck. Ames Engineering has been retained (for \$4,950) to update their earlier schematic drawings of a renovated and expanded Hartford Central Station, a project that is quickly taking on some urgency given the deteriorating condition of the existing building. Some proposed operational line item adjustments of note for next year include: a \$30,772 reduction in lease costs (ambulance lease completed); a \$18,650 increase in public safety equipment and supplies, including radios in the schools, air packs, and turn-out gear; and \$3,500 in repair and maintenance of vehicles and equipment.

Traditionally, we have budgeted a modest sum, \$11,095, for maintenance of our Emergency Preparedness function. The money has been used for training and maintenance of the emergency operations center (The Fire Chief serves without additional compensation as the Director of Emergency Preparedness). This year, I have folded that amount into the Fire Department budget and eliminated the separate account.

Last year, because of the extraordinarily hard winter we experienced, our Department of Public Work's budget had to be supplemented by \$500,000 from fund balance. This year, with a dramatically contrasted mild winter (at least so far), we will be under-expended (and that savings has already been calculated into the estimated year-end contribution to fund balance discussed back in the revenues discussion). Usually, we use the three most recent past years' experience in developing our projections for the coming budget. For this proposed budget, I am considering last year and this year to be anomalies because using those numbers would, I feel, result in unrealistic estimates. Instead, we are relying on the more consistent data of the prior three years for snow fall amounts and weather events. Thus, the total DPW budget for the coming year is proposed to be up \$117,547 (3.2%) to \$3,749,377.

We budget Public Works in four divisions. The first is Administration and it provides for 1/3 of the salary and benefits of the DPW Director and the Administrative Assistant (the other 2/3's are divided evenly between the Hatch Hill enterprise fund and the Central Garage fund). The Administration budget is proposed to increase by \$1,663 (2.5%) to \$68,252. Consistent with other departments and bureaus, wages and benefits are up by standard amounts.

In the Streets bureau of Public Works, the budget for next year is proposed to increase from \$1,872,798 to \$1,971,353 or \$98,555 (5.3%). Wages and benefits increase by \$104,686 which includes the standard contractual provisions and a change in health benefits and an increase in O.T. by \$16,200 the latter is due to a budget error in 2016 which contained \$1,800 in O.T. instead of \$18,000. There is \$51,349 in increased health insurance premium costs. Motor pool costs are down by \$8,785 (based on three year averaging) and construction materials down by \$5,000 (averaging). There is an additional one-time contracting expense of \$5,000 for crushing of the old bituminous pavement pile (for future use as road base material).

The Snow Removal budget is proposed to increase from \$869,024 to \$915,294 or \$46,270 (5.3%). Wages and benefits are down due to a reduction in part time/seasonal wages. Adding a fourth snow removal contracted truck (and an hourly rate increase for all four contractors we use) adds \$27,145 to the budget. We also project the price of salt to increase by \$9,000 next year and sand by \$12,000.

For Waste Removal next year, we will be continuing with the transition to fifty-two week trash collection and discontinuance of curbside recycling collection – absent a decision by Council to do otherwise. The proposed budget for next year is down 1.23% from \$823,419 to \$813,297. Factored into that is a \$25,244 reduction in wages and benefits as result of no longer allocating between bureaus. Adding a fourth recycling collection bin at Buker Center adds \$9,600 to the budget, and a lower solid waste disposal fee of \$12,885 as result of lower tipping fee.

Almost 10% of our General Fund budget goes to pay the cost of Utilities. For the coming year that cost is anticipated to increase by \$43,789 (1.8%) to \$2,525,542. Due to rate increases and the much larger library building, our electricity costs will jump by 33.6% (\$31,361) to \$126,361. This pays for our City-owned decorative street lights, general government buildings (PD, Fire, City Center, Library, etc.) parking lots, etc. Most of our City's street lights are owned by CMP and we pay electricity and rental charges. That line item will go up only slightly next year (\$1,304) to \$412,789. The City is also the largest customer of the Greater Augusta Utilities District. Next year our GAUD water bill (which includes fire hydrant charges mandated by the Public Utilities Commission) is expected to increase only nominally (\$991) to \$758,376 and our GAUD sewer bill is expected to increase by \$5,550 (.5%) to \$1,206,080.

Another significant fixed cost center of the General Fund is the Retirement and Insurance account. For the coming year, the recommended appropriation is \$2,203,333 which is an increase of \$29,046 (1.3%) over this year. There are five line items in this cost center. Unemployment (which we self-insure) should remain flat at \$26,000 next year. Workers' Compensation insurance premiums will see an increase of \$9,383 (3.8%) bringing our total premiums to \$255,383 which is attributable to the increased wage base in the General Fund. Property and Casualty insurance premiums are projected to decrease by \$6,930 (2.8%) to \$240,721 due to good experience and performance of Maine Municipal Association risk pool which we participate in. Health Reimbursements Accounts (which cover, by contract, upfront deductibles for active employees) increase by \$14,750 to \$40,750 due to higher utilization than was anticipated last year. The largest obligation in this cost center is the Retiree Health insurance premiums we pay for retired City employees who qualify (for the most part those who began work for the City prior to 1992). Each year this group grows as more employees reach retirement age and leave our employ. For the coming year, we project that there will be a modest increase of \$9,525 (.1%) bringing the total premiums to \$1,083,327. This is the first year

in recent memory where there has not been a substantial increase in this line item. Although we are adding seven new retirees to the rolls, a number are due to turn 65 and will go on to Medicare (at which point we will only be liable for the cost of a companion plan which is much cheaper).

Serial Bonds and Notes (or Debt Service) is the account that addresses principal and interest payments on the City's general obligation debt. Next year, our payments will increase from \$1,459,255 to \$2,332,655 – an increase of \$873,400 or 60%. All of this, referenced earlier, is attributable to the TIF supported debt service associated with the fire station, fire truck and street improvement projects. Of this increase, \$228,170 (streets) comes from the natural gas TIF; \$388,800 (fire station and truck) also comes from the natural gas TIF; and \$172,500 (streets) comes from the Marketplace at Augusta TIF. (Not appropriated this year is \$225,000 for a cash capital improvement project thus avoiding the need to raise that much more from the property tax. Last year, that money came from the one-time savings realized when we refinanced outstanding pension obligation bonds as part of the Lithgow Library capital financing strategy.)

The final cost center for the General Fund is the annual County Tax appropriation. This is an obligation placed upon all Maine municipalities by state law. It is calculated on the basis of our total taxable assessed valuation. For the coming year, it's projected that our share of the county tax will increase by \$28,409 (1.95%) to \$1,486,518. In fairness to the County, our actual 2016 assessment is actually 0.7% but we erroneously under-budgeted last year's number by \$17,712.

Enterprise Funds

In addition to the municipal services supported by the General Fund, there are several separate and distinct operations of City government classified and operated as enterprise funds. Government accounting standards treat these operations like businesses because they are intended to be self-supporting through user fees and charges. For us, they include the Augusta State Airport, Childcare, the Augusta Civic Center, the Hatch Hill Regional Landfill, and Central Garage (although this last one is technically considered an "internal service fund"). All of these entities are important contributors to the economy and fabric of our community, are well run, and coordinate fully with the other departments of City government.

The most straight-forward of the enterprise funds is the Augusta State Airport. By the provisions of a five year contract between the City and the State, we provide management services for this facility. This includes three full-time and two part-time employees of the City, including the Airport Manager, who reports to the Director of Development Services. Per the contract, we agree to perform these management and operation duties for an annual fixed sum (which for next year will be \$550,000). Airport Manager John Guimond advises that the airport

can continue to be properly managed for another year within that state allocation thus no significant changes are anticipated for the coming year. (It is worth noting that the good partnership that has existed between the City and the state Department of Transportation has meant that when unforeseen major expenditures have arisen MDOT has been willing to underwrite their costs directly without adversely impacting the operating contract amount. This avoids any risk of the City's taxpayers having to subsidize the operation of the airport.)

Not technically an enterprise fund but outside the General Fund (because it is supported by user fees and state grants) is our popular Childcare program. This program operates as a bureau of the Community Services Department and provides after-school care in each of the City's four elementary schools for about 130 children and another 100 children in its all-day summer program at the Buker Community Center. The Childcare expenditure budget is recommended to increase modestly by \$9,145 (1.7%) to \$542,343. (Last year, in an effort to bring staff compensation levels closer to market for childcare workers, there were some significant upward adjustments to the personnel budget lines.) Program revenues are projected to increase by \$34,826 (5.5%) to \$556,324. The Childcare program has a fund balance of approximately \$254,919. In the past, fund balance dollars have been used to construct playground facilities and physical improvements at the schools and the Buker Center.

The Augusta Civic Center has been an engine of local economic stimulus since its construction forty years ago. True to the purpose of a municipal enterprise fund, it fills a need in the community that would not otherwise be viable in the private sector. As a free-standing fund, its revenues and expenses should balance independently. Although for the past several years there has been an accruing deficit situation in the Civic Center – currently amounting to \$421,489 -- that has been backstopped by the General Fund and, that we anticipate, will be reimbursed over time as business at the Civic Center continues to improve. The Hatch Hill landfill, as well, in recent years following the Great Recession of 2008/2009 operated in the red but with surplus balances in the last couple of years is now well back into the black). For the coming year, the budget for the Civic Center is proposed to be essentially flat at \$2,686,523 – up \$5,383 (or .2%) from this year. Good management of our expenditures by Director Earl Kingsburg and his management team and ongoing satisfaction with our facility by our clients (especially our larger repeat customers) should enable us to break even next year.

Wage and benefit costs at the Civic Center are projected to increase by \$ 39,325 (2.9%) to \$1,387,636 next year. That includes some overdue adjustments to the part-time hourly wage rates to stem the loss of experienced wait staff and kitchen and custodial help (from an entry level of \$8.32 to \$9.00). As with most years, supplies and contracted services line items are adjusted to reflect recent actuals (e.g. electricity down \$5,148 due to savings from upgrades; production equipment down \$5,644 which was a one-time purchase last year; heating fuels

down \$8,735 due to system upgrades; and table cloths down \$5,550 based on three year averaging). On the revenue side, we anticipate being up slightly (\$4,152 or .15%) to \$2,686,523. That's mostly attributable to an increase in concession revenues of \$18,596 and snacks (\$11,303) – although some line items - kitchen meals, audio visual equipment rental and North Wing rentals - will be down \$11,843, \$7,750, and \$3,493 respectively. Fund depreciation is budgeted at \$209,504. Debt payments are up (due to leased energy upgrade assets) from \$89,383 this year to \$98,864. As is the case with our other enterprise funds, an amount is transferred out of the fund into the General Fund to compensate for administrative services provided (HR, financial management, etc.). Next year, that amount will remain at its current level of \$52,500.

The City of Augusta has for many years owned and operated a modern regional solid waste disposal facility. Hatch Hill Regional Landfill provides the City with a convenient and affordable option for this municipal need. The landfill is strictly regulated by the State Department of Environmental Protection. The operation employs six full time people. Several DPW employees (including the Director and Administrative Assistant) have a portion of their salary and wages allocated to Hatch Hill. Some notable recent changes in the business activity at Hatch Hill and in the recycling markets will cause some variations in the operation's budget for the coming year. Those begin on the revenue side with projected revenues to be down from \$2,704,309 to \$2,400,700 – a \$303,609 (11.2%) decrease. The primary reason for this drop is a significant reduction of automobile shredder material from a metals recycling company in Brunswick due to dramatic drop in recycling markets world-wide. The loss of that material (the unrecyclable by-product of car crushing/recycling) equates to \$177,100 less in tipping fees to Hatch Hill. (If the metal recycling market should rebound, we may expect to see that revenue come back.) Another revenue loss next year comes from our decision to reduce the per capita fee we charge to the seven outside communities that use Hatch Hill. By reducing our fees from \$15 to \$10 per capita (in a good faith effort to retain those communities and the critical mass of refuse that they yield) our revenue in this line item drops by \$75,259 (or 26%) to \$215,100. The amount we project to receive for recycling fees will be down \$28,750 (20%) to \$117,500 as a result of more materials ending up in the single-stream containers going to Eco-Maine (for which we receive no revenue – but pay no fees) as well as the reduced value of what recyclables we do still process. Permit fees were also reduced this year to incent commercial haulers to stay with us and represents a revenue loss of \$10,000.

On the expenditure side of next year's Hatch Hill budget, a \$40,184 (1.8%) net reduction is proposed. That would bring the budget from \$2,285,289 to \$2,245,105. Line items that would increase include \$17,772 in motor pool costs (based on three year averaging); \$6,310 in increased building maintenance costs; \$6,800 in increased contractual services costs for water quality testing; \$74,057 in increased depreciation expense; and \$65,000 more in the cost of

cover material (soil). This last item is related to the loss of the shredded auto residue revenue referenced above because not only are we paid a tipping fee to take in that material, the DEP allowed us to use it in place of soil as daily cover material – a double whammy, so to speak.

The good news is that a number of expenditure line items are projected to be down in the aggregate by \$201, 538. They include interest on our Hatch Hill debt (-\$90,495) due to a Maine Bond Bank refinancing of the bond issue we have through them; the amount we are required by DEP to hold in reserve for the eventual final closure of the facility (-\$50,998) which is based on an annual assessment by our engineering consultants and for which we currently hold \$4,490,149 in a fully-funded reserve ; \$27,600 less in costs of processing recyclables (allocated to the General Fund for bins at Public Works, City Center and Buker Center) based on the popularity of the single-stream program now firmly in place; \$7,915 in reduced employee wage and benefit costs; \$20,400 in reduced repair of equipment costs; and \$4,140 in lower sewer fees. On balance, all this means that after all revenue and expenditure projections are taken into consideration, Hatch Hill should realize a net gain of \$155,595. That will be added to the fund's retained earnings (fund balance) which, at June 30, 2015 were \$1,033,100. That is a notable better position for the fund than was the case in the years following the Great Recession when it was operating in the red and being backstopped by the General Fund to the tune of over a quarter-million dollars. Given the potential for revenue drop off should we go into another recession or a serious expenditure hit should some unforeseen issue occur (like groundwater contamination, for instance) I would be more comfortable with a larger fund balance but we don't live in an ideal world.

The Central Garage internal service fund is an effective way to provide for fleet acquisition, and timely replacement and maintenance for all vehicles and motorized equipment with the exception of Police and Fire vehicles (which are maintained separately by the Fire Department mechanic). Central garage employs a fleet services manager (who reports to the Director of Public Works), a working foreman, and four mechanics and a parts purchasing and support clerk. The budget for Central Garage is funded through vehicle rental charges for vehicles and equipment assigned to city departments and through fuel charges. For next year, the Central garage budget is projected to have revenues of \$1,853,224 (up \$29,096 or 1.7%) and matching expenditures, an increase of \$58,241 or 3.2%. Wage and benefit costs are up \$14,900 (2.9%) to \$526,200 consistent with contractual obligations and the other City funds. Supply and contractual line items have some variances (mostly based on three year averaging and including electricity up \$2,804; building maintenance down \$10,900; gas and diesel up \$6,660; inventory up \$10,000; and leases up \$12,805 attributable to a new energy efficient boiler; pension obligation debt down \$11,332; to mention a few).

Equipment depreciation (the manner in which we fund the cost of replacing aged vehicles in the Central garage fleet – the specifics of which may be found in Appendix “B” immediately hereafter in this document) increases next year by \$20,427 (4.8%) to \$447,517, a reflection of the normal cost inflation of replacing older vehicles with new ones. The Central Garage fund has unrestricted net assets of \$932,219. That allows for annual replacement of equipment in the \$400,000 - \$500,000 range each year. Typically the first year of the schedule is firm and the outer years may change depending on how needs change or vehicles needs perform. The equipment schedule recommends \$455,000 for next year.

Conclusion

It is a continuing challenge for me (and most in positions like mine in Maine) to craft a budget recommendation that realistically balances the property tax burden that our residents and businesses must bear with the important municipal services that I believe enjoy broad support in our community. This year is certainly no easier than in the past. Some things out of our control (a loss of CMP excise tax revenues to the tune of a quarter million dollars, utility rate increases and health insurance rate increases, for example) put significant pressure on the budget. Other considerations, like the obvious demand by the citizenry for a level of law enforcement equal to the task of the challenges created by the opiate and other substance abuse crises we are experiencing, push us in the direction of expenditure levels that also stress the bottom line. There are never any easy answers under these circumstances. Generally, the best course of action is to find a moderate balance between the competing needs and available resources. That is what your team of professional city administrators has tried to do with this proposed budget. In particular, I want to thank Assistant City Manager Ralph St. Pierre for his invaluable assistance in this process. I cannot imagine how I would produce this complex work product without his partnership. As in the past, this now becomes your document to review, to modify as you see most appropriate and proper, and ultimately to adopt in a timely fashion. Your professional staff, including me, stands ready to assist you in that process.

Respectfully,

William R. Bridgeo
City Manager

APPENDIX A

| FY | MUNICIPAL | | |
|------|---------------|--------------|---------------|
| | PRINCIPAL | INTEREST | TOTAL |
| 2016 | 1,353,750 | 431,571 | 1,785,321 |
| 2017 | 1,293,750 | 423,575 | 1,717,325 |
| 2018 | 1,243,750 | 393,217 | 1,636,967 |
| 2019 | 1,243,750 | 370,632 | 1,614,382 |
| 2020 | 1,138,750 | 319,273 | 1,458,023 |
| 2021 | 1,138,750 | 285,051 | 1,423,801 |
| 2022 | 1,138,750 | 252,264 | 1,391,014 |
| 2023 | 1,008,750 | 220,821 | 1,229,571 |
| 2024 | 860,000 | 190,872 | 1,050,872 |
| 2025 | 785,000 | 165,039 | 950,039 |
| 2026 | 560,000 | 143,187 | 703,187 |
| 2027 | 560,000 | 126,955 | 686,955 |
| 2028 | 435,000 | 110,627 | 545,627 |
| 2029 | 435,000 | 97,314 | 532,314 |
| 2030 | 435,000 | 83,868 | 518,868 |
| 2031 | 435,000 | 69,619 | 504,619 |
| 2032 | 435,000 | 55,371 | 490,371 |
| 2033 | 400,000 | 41,500 | 441,500 |
| 2034 | 400,000 | 28,000 | 428,000 |
| 2035 | 400,000 | 14,000 | 414,000 |
| | \$ 15,700,000 | \$ 3,822,758 | \$ 19,522,758 |

| | SCHOOL | | |
|--|---------------|--------------|---------------|
| | PRINCIPAL | INTEREST | TOTAL |
| | 1,395,604 | 689,331 | 2,084,935 |
| | 1,395,604 | 634,824 | 2,030,427 |
| | 1,400,604 | 566,986 | 1,967,590 |
| | 1,405,604 | 503,199 | 1,908,803 |
| | 1,405,604 | 439,287 | 1,844,891 |
| | 1,400,604 | 384,450 | 1,785,053 |
| | 1,350,598 | 329,987 | 1,680,585 |
| | 1,305,000 | 275,825 | 1,580,825 |
| | 1,295,000 | 223,875 | 1,518,875 |
| | 1,295,000 | 159,125 | 1,454,125 |
| | 1,295,000 | 94,375 | 1,389,375 |
| | 1,240,000 | 31,000 | 1,271,000 |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | \$ 16,184,221 | \$ 4,332,264 | \$ 20,516,485 |

| FY | PENSION OBLIGATION | | |
|------|--------------------|--------------|--------------|
| | PRINCIPAL | INTEREST | TOTAL |
| 2016 | 425,000 | 224,419 | 649,419 |
| 2017 | 430,000 | 220,144 | 650,144 |
| 2018 | 435,000 | 215,101 | 650,101 |
| 2019 | 445,000 | 208,003 | 653,003 |
| 2020 | 450,000 | 198,668 | 648,668 |
| 2021 | 465,000 | 187,470 | 652,470 |
| 2022 | 475,000 | 174,609 | 649,609 |
| 2023 | 490,000 | 160,148 | 650,148 |
| 2024 | 505,000 | 144,071 | 649,071 |
| 2025 | 525,000 | 126,397 | 651,397 |
| 2026 | 545,000 | 106,939 | 651,939 |
| 2027 | 565,000 | 85,900 | 650,900 |
| 2028 | 590,000 | 62,986 | 652,986 |
| 2029 | 610,000 | 38,446 | 648,446 |
| 2030 | 635,000 | 12,986 | 647,986 |
| 2031 | - | - | - |
| 2032 | - | - | - |
| 2033 | - | - | - |
| 2034 | - | - | - |
| 2035 | - | - | - |
| | \$ 7,590,000 | \$ 2,166,287 | \$ 9,756,287 |

| | TOTAL GENERAL FUND | | |
|--|--------------------|---------------|---------------|
| | PRINCIPAL | INTEREST | TOTAL |
| | 3,174,354 | 1,345,321 | 4,519,675 |
| | 3,119,354 | 1,278,542 | 4,397,896 |
| | 3,079,354 | 1,175,304 | 4,254,658 |
| | 3,094,354 | 1,081,835 | 4,176,188 |
| | 2,994,354 | 957,227 | 3,951,581 |
| | 3,004,354 | 856,971 | 3,861,324 |
| | 2,964,348 | 756,861 | 3,721,209 |
| | 2,803,750 | 656,794 | 3,460,544 |
| | 2,660,000 | 558,819 | 3,218,819 |
| | 2,605,000 | 450,561 | 3,055,561 |
| | 2,400,000 | 344,501 | 2,744,501 |
| | 2,365,000 | 243,855 | 2,608,855 |
| | 1,025,000 | 173,613 | 1,198,613 |
| | 1,045,000 | 135,760 | 1,180,760 |
| | 1,070,000 | 96,854 | 1,166,854 |
| | 435,000 | 69,619 | 504,619 |
| | 435,000 | 55,371 | 490,371 |
| | 400,000 | 41,500 | 441,500 |
| | 400,000 | 28,000 | 428,000 |
| | 400,000 | 14,000 | 414,000 |
| | \$ 39,474,221 | \$ 10,321,308 | \$ 49,795,529 |

APPENDIX A (CONT.)

| FY | HATCH HILL | | | CIVIC CENTER | | |
|------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2016 | 485,000 | 123,321 | 608,321 | 332,565 | 89,244 | 421,809 |
| 2017 | 485,000 | 32,826 | 517,826 | 332,565 | 76,563 | 409,128 |
| 2018 | 485,000 | - | 485,000 | 332,565 | 61,929 | 394,494 |
| 2019 | 485,000 | - | 485,000 | 332,570 | 46,332 | 378,902 |
| 2020 | 485,000 | - | 485,000 | 332,570 | 30,568 | 363,138 |
| 2021 | - | - | - | 332,570 | 14,726 | 347,296 |
| 2022 | - | - | - | 106,250 | 6,375 | 112,625 |
| 2023 | - | - | - | 106,250 | 3,188 | 109,438 |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - |
| | <u>\$ 2,425,000</u> | <u>\$ 156,147</u> | <u>\$ 2,581,147</u> | <u>\$ 2,207,905</u> | <u>\$ 328,925</u> | <u>\$ 2,536,830</u> |

| FY | TOTAL ENTERPRISE FUNDS | | | TOTAL BONDED INDEBTEDNESS | | |
|------|------------------------|-------------------|---------------------|---------------------------|----------------------|----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2016 | 817,565 | 212,565 | 1,030,130 | 3,991,919 | 1,557,886 | 5,549,805 |
| 2017 | 817,565 | 109,390 | 926,955 | 3,936,919 | 1,387,932 | 5,324,851 |
| 2018 | 817,565 | 61,929 | 879,494 | 3,896,919 | 1,237,233 | 5,134,152 |
| 2019 | 817,570 | 46,332 | 863,902 | 3,911,924 | 1,128,167 | 5,040,091 |
| 2020 | 817,570 | 30,568 | 848,138 | 3,811,924 | 987,795 | 4,799,719 |
| 2021 | 332,570 | 14,726 | 347,296 | 3,336,924 | 871,697 | 4,208,621 |
| 2022 | 106,250 | 6,375 | 112,625 | 3,070,598 | 763,236 | 3,833,834 |
| 2023 | 106,250 | 3,188 | 109,438 | 2,910,000 | 659,981 | 3,569,981 |
| 2024 | - | - | - | 2,660,000 | 558,819 | 3,218,819 |
| 2025 | - | - | - | 2,605,000 | 450,561 | 3,055,561 |
| 2026 | - | - | - | 2,400,000 | 344,501 | 2,744,501 |
| 2027 | - | - | - | 2,365,000 | 243,855 | 2,608,855 |
| 2028 | - | - | - | 1,025,000 | 173,613 | 1,198,613 |
| 2029 | - | - | - | 1,045,000 | 135,760 | 1,180,760 |
| 2030 | - | - | - | 1,070,000 | 96,854 | 1,166,854 |
| 2031 | - | - | - | 435,000 | 69,619 | 504,619 |
| 2032 | - | - | - | 435,000 | 55,371 | 490,371 |
| 2033 | - | - | - | 400,000 | 41,500 | 441,500 |
| 2034 | - | - | - | 400,000 | 28,000 | 428,000 |
| 2035 | - | - | - | 400,000 | 14,000 | 414,000 |
| | <u>\$ 4,632,905</u> | <u>\$ 485,072</u> | <u>\$ 5,117,977</u> | <u>\$ 44,107,126</u> | <u>\$ 10,806,380</u> | <u>\$ 54,913,506</u> |

| Appendix B | | | | | |
|--|-------------------------------|------------------------|--------------------------------|-------------------------------|--|
| 5 YEAR EQUIPMENT REPLACEMENT SCHEDULE | | | | | |
| <u>UNITS TO BE PURCHASED</u> | | <u>EST COST</u> | <u>ITS TO BE TRADED</u> | | |
| | | | <u>VEH #</u> | <u>YEAR & TYPE</u> | |
| | | FY 2017 | | | |
| 1 | 1 ton 4wd Dump w plow | \$38,000 | 710 | 2007 GMC | |
| 1 | Class 8 Dump w/plow & wing | \$142,000 | 737 | 2002 Volvo | |
| 1 | Skid Steer w/planer | \$45,000 | 853 | 1989 Toyota Skid Steer | |
| 1 | Vacuum Sweeper (used) | \$80,000 | 809 | 2001 Johnston | |
| 1 | Loader | \$150,000 | 870 | 1993 Cat | |
| | Total | \$455,000 | | | |
| | | FY 2018 | | | |
| 2 | Crew Cab Pickup (\$32,000 ea) | \$64,000 | 769 & 770 | 2001 GMC Crew Cab | |
| 1 | 3/4 Ton Pickup 4x2 | \$28,000 | 718 | 2003 Chevrolet | |
| 1 | Dump Body for patch truck | \$7,500 | | no trade | |
| 1 | Tractor | \$40,000 | 805 | 2002 New Holland | |
| 1 | SUV | \$26,000 | 700 | 2008 Hyndai | |
| 1 | Sidewalk Tractor | \$110,000 | 813 | 2001 Holder | |
| 1 | Class 8 Dump w/plow & wing | \$150,000 | 748 | 2004 GMC Dumptruck | |
| | Total | \$425,500 | | | |
| | | FY 2019 | | | |
| 1 | Rubbish Truck | \$140,000 | 730 | 2008 Freightliner | |
| 1 | Class 8 Dump w/plow & wing | \$150,000 | 739 | 2002 GMC Class 8 Dump | |
| 1 | Loader | \$150,000 | 867 | 2003 John Deere | |
| | Total | \$440,000 | | | |
| | | FY 2020 | | | |
| 1 | Skid Steer | \$45,000 | 852 | 2000 Bobcat | |
| 1 | 1 ton 4wd Dump w plow | \$45,000 | 774 | 2010 Ford 1 ton dump | |
| 1 | SUV | \$26,000 | 750 | 2012 Equinox | |
| 1 | Bucket Truck (used) | \$26,000 | 761 | 1996 Bucket Truck | |
| 1 | Class 8 Dump w/plow & wing | \$150,000 | 712 | 2008 GMC medium | |
| 1 | 2x4Pickup w/Dump body | \$30,000 | 708 | 2008 Ford | |
| | Total | \$322,000 | | | |
| | | FY 2021 | | | |
| 1 | Backhoe | \$70,000 | 868 | 1998 Backhoe | |
| 1 | Rackbody | \$80,000 | 733 | 2004 Freightliner | |
| 1 | Screen Plant | \$115,000 | 804 | 2002 Norberg | |
| 1 | Class 8 Dump w/plow & wing | \$150,000 | 741 | 2006 Freightliner | |
| | Total | \$415,000 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**APPENDIX C
CITY OF AUGUSTA
CITY MANAGER/SCHOOL BOARD
TAX RATE SUMMARY**

| | FY 2016 ADOPTED | FY 2017 MANAGER | \$ VAR | % VAR |
|----------------------------|----------------------------|----------------------------|--------------------|---------------|
| <u>EXPENDITURES</u> | | | | |
| EXPENDITURES | | | | |
| MUNICIPAL | \$24,991,716 | \$26,393,318 | \$1,401,602 | 5.61% |
| EDUCATION | \$28,445,419 | \$30,257,600 | \$1,812,181 | 6.37% |
| COUNTY | \$1,458,109 | \$1,486,518 | \$28,409 | 1.95% |
| | \$54,895,244 | \$58,137,436 | \$3,242,192 | 5.91% |
| REVENUES | | | | |
| MUNICIPAL | \$10,597,848 | \$11,440,579 | \$842,731 | 7.95% |
| EDUCATION | \$15,409,831 | \$17,187,040 | \$1,777,209 | 11.53% |
| | \$26,007,679 | \$28,627,619 | \$2,619,940 | 10.07% |
| TAXES | | | | |
| MUNICIPAL | \$14,393,868 | \$14,952,739 | \$558,871 | 3.88% |
| EDUCATION | \$13,035,588 | \$13,070,560 | \$34,972 | 0.27% |
| COUNTY | \$1,458,109 | \$1,486,518 | \$28,409 | 1.95% |
| | \$28,887,565 | \$29,509,817 | \$622,252 | 2.15% |
| VALUATION/1,000 | \$1,489,000 | \$1,459,170 | -\$29,830 | -2.00% |
| TAX RATE | | | | |
| MUNICIPAL | \$9.67 | 10.25 | \$0.58 | 6.01% |
| EDUCATION | \$8.75 | 8.96 | \$0.20 | 2.32% |
| COUNTY | \$0.98 | 1.02 | \$0.04 | 4.03% |
| | \$19.40 | 20.22 | \$0.82 | 4.24% |

APPENDIX D

2016 AUGUSTA CITY COUNCIL GOALS AND ACTIONS (FINAL DRAFT ADOPTED 2/18/16)



INTRODUCTION

Augusta City Government had significant achievements in 2015 with respect to all of its annual goals. Achievements included:

- The opening of Cony Flatiron housing, and approval of Hodgkins School housing
- Assistance to Maine Instrument Flight in building a new hangar
- Groundbreaking for Western Avenue hotel
- Construction underway on Lithgow expansion
- Hiring of two detectives to investigate drug trafficking
- Increasing the MDOT commitment to the Mount Vernon Street project from \$1.2 to \$4.0 million
- Revising Hospital Street road project to include reconstruction of sidewalks and curbs
- Drafting of Historic Protection ordinance
- Institution of vacant properties registry
- Testing and adoption of single stream recycling program with EcoMaine.

Still, though progress was made on all goals, there were so many recommended actions in 2015 that some have not been addressed. This year, in order to create more focus, the Mayor and Council have only included goals and actions that have the support of a majority of Council members (5). Those ideas which did not make the list are not dead for 2016; any councilor or councilors can bring up any idea at any time during the year. It just means that those ideas are not Council-wide goals for achievement in 2016. The list of actions that were proposed, but not supported by a majority of Council members, is provided in the Appendix to this report.

On the other side of the coin, some of the goals and actions which are included on the list were not unanimously supported at the retreat. All councilors, whether they supported or opposed the inclusion of these goals and actions at the retreat, have the right to oppose these ideas when they come up on a Council agenda during 2016.

GOAL A: CONTINUE THE FIGHT AGAINST DRUG ADDICTION AND CRIME

The drug crisis continued to worsen in Maine in 2015. The state was on pace to set a record for drug overdose deaths. It's happening in Augusta and Kennebec County just as it elsewhere in Maine and the country.

Following the prioritization of drug abuse at last year's Council goal-setting retreat, the City conducted public forums and hired two new detectives. In addition, staff from both the City and the School department have played leading roles in the activities of the Alliance for Substance Abuse Prevention (a project of Healthy Communities of the Capital Area).

The price of drug abuse in the area remains high. The fallout includes increased robberies, babies born with defects, school children suffering from neglect and abuse, and some high school students becoming addicted themselves. For this reason, the Council once more prioritized addressing the drug crisis as one of its top goals.

There was much discussion of what the Council can do, and how the Council can do it in a way which is coordinated with other partners – particularly neighboring municipalities. The conclusion was that more thought is needed about the best way for City government to address the issue.

Action A1. The City Manager shall work with staff to deliver a draft action plan on drugs to City Council in March, 2016. That plan shall consider:

- the potential need for a detox center in Augusta
- the need for training for teachers, parents, and others in identifying and addressing people with drug issues whom they encounter
- the mechanics of creating/linking to a website providing resources to those who are dealing with drug abuse and its effects (see Action A2)
- ways of coordinating with state efforts and maximizing the use of state resources
- the potential need for someone on-site in the schools to coordinate with agencies
- the potential need for an expanded health curriculum to deal with drug use
- the potential need for more neighborhood watch groups
- the need to assist support groups of parents and family members of abusers
- the need to engage medical professionals and neighborhood organizations
- the need to engage other area municipalities to join into the effort

The draft plan should be available in time to be presented to the community forum scheduled for March 30, 2016.

Action A2. In 2016, City government will develop and/or link to a web site to provide resources and help to family members, professionals, and individuals dealing with drug issues and their effects. The website will list resources and telephone numbers, and provide general information on addiction, how to identify it, and how to address it.

GOAL B: PROMOTE THE LONG-TERM ECONOMIC DEVELOPMENT OF AUGUSTA

Augusta has had great success in individual economic development projects in the past year. However, a long-term challenge remains. Central Maine has an aging population, and slow job growth overall compared to the rest of the state and nation. The City must be proactive in anticipating these challenges.

Action B1. The newly-established Augusta Economic and Workforce Development Committee shall assist City staff to take advantage of development opportunities. These opportunities include, but are not limited to:

- the Kennebec Locke at Head Tide site (see <http://augustamatters.com/2012/03/05/the-kennebec-locke-at-head-tide/>)
- the Arsenal site
- Riggs Brook
- former MDOT garage site (behind the Capitol building)

Action B2. City government shall achieve “Certified Local Government” status by the Maine Historic Preservation Commission. This status will enable Augusta to qualify for grants and assistance in the redevelopment of historic properties.

Action B3. City Council shall hold an informational meeting to learn from a representative of the AARP (American Association of Retired People) about what it would take to receive a designation as an “Age-Friendly Community,” and what benefits would come from that designation. For background on this issue, see <http://www.aarp.org/livable-communities/network-age-friendly-communities/info-2014/an-introduction.html>

Action B4. Support the redevelopment of the Colonial Theater and the northern end of Water Street. It is not known at this time what kind of support the Colonial Theater needs from City government to be successful. At this time the Council is reaffirming its support for the project and for what it could mean for the economy of downtown Augusta, while reserving the ability to critically evaluate and decide upon any future requests for actual assistance.

Action B5. Support the establishment of a “Creative Coalition” in Augusta. With progress on the Colonial Theater, the recent announcement of a news museum at the former Gannett house, the increased level of activity at the University of Maine at Augusta facility on Water Street, and the soon-to-be restored and expanded Lithgow Library, a critical mass of cultural activities is arising in Augusta. The establishment of a coalition of cultural groups to brand, coordinate, and market arts and cultural activities in Augusta would be a support to local economic activity.

GOAL C: CONTINUE TO IMPROVE THE BUILT ENVIRONMENT

This section consists mainly of follow-ups to actions initiated in the 2015 goal-setting meeting, and taking them to the next steps.

Action C1. Approve and enforce the proposed property maintenance ordinance. The housing economy is improving, but there are still deteriorated properties with absentee owners in the city that present safety and fire hazards, and take away from the property values of neighboring homeowners. The Council should consider final technical adjustments to the ordinance which was developed last year, prior to enactment.

Action C2. Enact the proposed historic ordinance. This has been worked on for several years, and is now at a point where it is ready for enactment.

Action C3. Create a Complete Streets committee with the charge of drafting a proposed complete streets policy for Council consideration. Complete streets are streets that can readily accommodate bicyclers and pedestrians as well as cars. For more detail, see <http://www.smartgrowthamerica.org/complete-streets>.

GOAL D: SUPPORT THOSE IN NEED

Action D1. Sustain the effort of the newly-formed working group to address childhood hunger and homelessness. The working group is coordinating the efforts of the City, the School Department, and area social service agencies to help meet the needs of those in need in the city. It held a community forum in the fall of 2016, and is meeting regularly to address these issues.

GOAL E: IMPROVE COUNCIL PROCESSES

Action E1. The City Manager and staff shall analyze the current City government dependence upon the fund balance to supplement the operating budget, and suggest possible plans or policies to reduce this dependence in the future. Right now the City has a comfortable fund balance that amounts to 12% of the annual budget. However, these funds are being used every year to supplement the annual budget, so that tax increases can be minimized. At the current trend, in three years or so the fund balance won't be available in the same amounts, and it will create upward pressure on taxes.

Action E2. The Mayor and Council shall review existing policies governing membership on City government-established committees, and make appropriate changes. For some committees, like Fort Western and Lithgow Library, it is appropriate for non-residents to serve as members. City staff will review membership and membership criteria for all city committees, and provide the information to the Mayor and Council for their deliberation.

APPENDIX: PROPOSED ACTIONS THAT DID NOT RECEIVE MAJORITY COUNCIL SUPPORT.

1. Add an additional code officer, to be paid for from fees.
2. Pass a plastic bag ordinance
3. Study two-way traffic on Water Street
4. Plant trees along Western Avenue
5. Study long-term municipal solid waste and recycling options
6. Educate taxpayers about how cuts in state aid affect property taxes
7. Update the comprehensive plan
8. Create an arts district downtown

Any of these proposals may be re-raised in the coming year by individual councilors.